

A Look at Delphion Alter 5 Years: This company's model has helped change the patent information industry. (IT Feature).

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Launched as the IBM Intellectual Property Network (IPN) 5 years ago, Delphion has been a catalyst for change in the patent information industry. But as it migrates from free to fee-based service, what does the future promise for both Delphion and the industry at large?

Background

Delphion began as a research project within IBM. The aim was to provide patent information to IBM personnel over the company's internal network.

"At the time there was no product like it available in this format from any commercial provider," said Peter Vanderheyden, Delphion's vice president. "So we later decided to put it on the Web as well, in order to make it freely available to large numbers of other people."

IPN was launched in 1997. As such, Delphion prides itself on having been the first to offer patent information over the Internet.

Important Educational Role

In fact, this claim is challenged by Micro-Patent, which launched PatentWeb in 1995. However, PatentWeb was a fee-based product. In offering a free service, IPN made patent information available to many people who had previously never had access to it.

What was new and striking about IPN, then, was that it managed to successfully tap the end-user market--something that traditional providers had long talked about, but never delivered.

For this reason, said Vanderheyden, IPN performed an important educational role. "Many people who use patent information today were not using it then. They couldn't get access to it, and they couldn't afford it, so they didn't understand the utility of it. When IBM showed what was possible, eyes were opened and light bulbs went off."

Certainly IPN's arrival impressed the industry. "The launch of the IBM service was a significant move" agrees Mark Houghton, director of integrated products at Derwent Information. "They made everybody else in the industry realize that there was a real opportunity to distribute patent information more widely."

First-Mover Costs

But being a first-mover brings risks as well as rewards. By showing others what was possible, Delphion soon attracted imitators, most notably the patent and trademark offices (PTO).

The U.S. Patent and Trademark Office (USPTO) began making patent information available on its Web site in 1998. Since then all the major PTOs have launched Web-based patent information services, including the European Patent Office (Esp@cenet) and the Japanese Patent Office.

Since the PTOs don't face the same commercial pressures as a regular business, this immediately posed a significant challenge for IPN. To counter the threat, it has had to engage in an ongoing program of rapid development.

"With patent offices offering free information, commercial providers are forced to constantly add value," said Willem Geert Lagemaat, CEO of Univentio, a European patent information company. "Soon no commercial provider will be able to make any money in the supply of patent documents, or the supply of basic bibliographic search tools."

Adding Value

The most obvious way of adding value is by loading new content. When launched, IPN included all U.S. patents since 1971, the date from which the USPTO began digitizing patent documents. Since then it has added U.S. patents prior to 1971, as well as European, Patent Cooperation Treaty (PCT), and Japanese patents.

Subsequently it has also released a number of value-added data collections, including INPADOC--which contains global patent family and legal-status information--and, most notably, Derwent's World Patents Index. In total, the service now offers some 30 million patents. In addition, a number of non-patent prior art sources have been loaded, including the IBM Technical Disclosure Bulletin, IP.com's database of defensive disclosures, and scientific journal abstracts from ISI.

Another way to add value is to increase functionality, and IPN has made continuous improvements here too. This has included adding the capability to search across the different collections, the ability to save searches and personalized lists of patents and to request alerts, and the ability to download multiple patents in batch mode as zipped files. IPN also pioneered the use of licensing buttons, which highlight those patents in the database that are currently available for licensing.

In addition, a range of analytics and data-mining tools has been introduced, including PatentLab-II, which allows you to create user-defined graphs; a text-clustering visualization tool; and the recently launched Snapshot function, which enables a quick visual analysis of search results.

To take the service to the next level, IPN was then spun out of IBM and relaunched as Delphion in July 2000.

In Pursuit of Revenue

However, as an independent company, it was clear that Delphion needed a business model that would be able to deliver a regular revenue stream. Consequently, in June 2001 Delphion also began charging for some of its services. This consisted of a \$75 per month premier subscription and a \$150 per month unlimited subscription.

"In the premier model you have access to all the data on the site, but if you want to leverage any of the analytical tools, or do downloads, there are additional charges," explained Cindy Poulos, Delphion's director of product management. "The unlimited model offers the same level of access to everything, but many of the additional tools and download capabilities are included in the subscription fee."

Four months later, however, Delphion increased its unlimited subscription to \$200. Justifying the move, Poulos said, "We have rolled out a whole new set of analytical and multiple downloading tools that are included in the fee, so we have increased our prices accordingly."

Clearly the migration path from a free to a fee-based model is not a smooth one.

Vanderheyden, however, denies that Delphion has been unduly impacted by the entry of the PTOs into the patent information business. "As each of the new services has come on, especially Esp@cenet and the USPTO, usage of our service has never dropped," he insists. "This is because of the explosion of people coming online for patent information."

Users, however, are skeptical. A patent specialist working in the science reading room of a major European library--who asked to remain anonymous--reports that after it was launched, Delphion became the first port of call for users. Today, however, practically all that usage has migrated to Esp@ceaet.

"We hardly use Delphion now that it is subscription-based," he reports. "In fact, around 75 percent of Internet usage in our reading room is now on Esp@cenet."

"A number of people have said to me that they were on the verge of stopping using Delphion anyway, since it was getting so complicated as more files were added," said Stephen Adams, proprietor of Magister, a U.K.-based patent consultancy. "This step was the final straw."

The problem is that by introducing charges Delphion has questioned its own *raison d'être*, and removed the very feature that most attracted users. "In many ways, Delphion was a pioneer," said Adams, "but I feel that it has somewhat lost its way recently."

Competitors have also attached considerable significance to the recent firing of Delphion's European manager, and the company's failure to attend a number of trade shows.

"We've noticed that, although they were listed as registered at several European trade shows, they were not at the shows," said Laura Gaze, MicroPatent's director of marketing. "We also noticed this at Japan's largest patent information trade show."

However, Vanderheyden insists there is no significance to the sacking of Delphion's European manager. "It was simply an economic distribution decision" he said.

What Price End-Users?

Few dispute that Delphion has been a beacon of innovation in an industry sadly lacking it. Above all, it has demonstrated that end-users could indeed be persuaded to access patent information.

"Delphion's growth highlights the opportunity in the end-user side of the patent market," said David von Glahn, general manager of IFI CLAIMS Patent Services. "This [coupled with the PTO sites] has resulted in an overall increase in the market. [So] patent information providers need to tailor their offerings to meet the needs of the end-user market."

But as Delphion migrates to a fee-based service, the belief that end-users will pay for patent information is being severely challenged. After all, they can now obtain basic patent data from the PTO sites at no cost. Can they, however, be persuaded to pay for value-added data? Delphion clearly believes they can. The loading of Derwent data on Delphion is instructive here. "One of the huge values of Derwent when you look at the market we are serving--the regular Joe business user who doesn't have any understanding of patent language or the legalese that goes into patent data--is that it rewrites all the titles and abstracts of all of the patents, and turns them into things that are understandable and digestible to folks that don't speak that language," said Poulos.

Adams, however, is skeptical. "I can't see many existing Derwent users carrying out complex searches using the Delphion system--it's simply too clumsy," he said. "So you're left with new users who will certainly not be interested in using the value-added fields unless Delphion produces some very good support documentation, which so far it has not done."

Change of Direction?

So is there a business in selling patent data to end-users? Delphion, it seems, is hedging its bets. In November, the company made a number of announcements that suggest it may be changing direction.

First, it's establishing a new intellectual asset management (IAM) consultancy business that's focused on helping companies create an IAM strategy, and is assisting in the associated systems integration.

Second, it's developing a new, integrated IAM software suite that will offer tools to manage various aspects of corporate IP, including invention analysis, portfolio and license management, and competitive intelligence.

At the same time, the company announced a number of high-profile appointments, including Gordon Petrash--a former partner in PricewaterhouseCoopers' IAM practice--who will take on the role of chief intellectual property strategist.

Debra Logan, senior analyst at research company Gartner, believes these are all good moves. "The consultancy business, for example, will put Delphion up against people like Cap Gemini Ernst & Young. And if anybody has a chance to succeed in doing this, it is Petrash," she said.

Clearly this is a further ratchet up the value chain for the company. But is it a change of direction? "I don't think it is going to completely change their business," said Logan. "But it is going to be the value-add part."

Still Much to Do

But as Delphion moves on to pastures new, how does the future look for the traditional patent information industry? First, evidence suggests that the end-user market has now eluded it once and for all. Second, patent information specialists are increasingly turning to PTO sites for their basic information needs as well.

So in the short term usage looks set to fall, rather than rise, particularly as we enter a period of economic downturn. Moreover, if it wants to prosper in the future, suggests Univentio's Lagemaat, the industry still has much to do. Above all, he adds, it will have to learn to innovate more quickly. "The patent offices are increasingly providing the same information, with the same functionality, and for free. Where most other industries--especially Internet-based companies--have developed significantly in technology, the patent information industry is just starting to get moving."

Perhaps Delphion is again pointing the way for the industry. By focusing on software solutions, suggests Logan, it may be able to turn the patent offices from competitors into potential customers. "The PTOs are inundated with patent applications today, so they are going to look at some of these companies to help them manage their problem," she said. "They are, for instance, going to try to get everybody to file electronically, which could be another revenue stream for Delphion or any company producing third-party software."

If it does attempt to move into new areas, however, we must hope that the industry proves more successful than Derwent was with Patent Explorer--its brief, disastrous attempt to develop an end-user product.

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